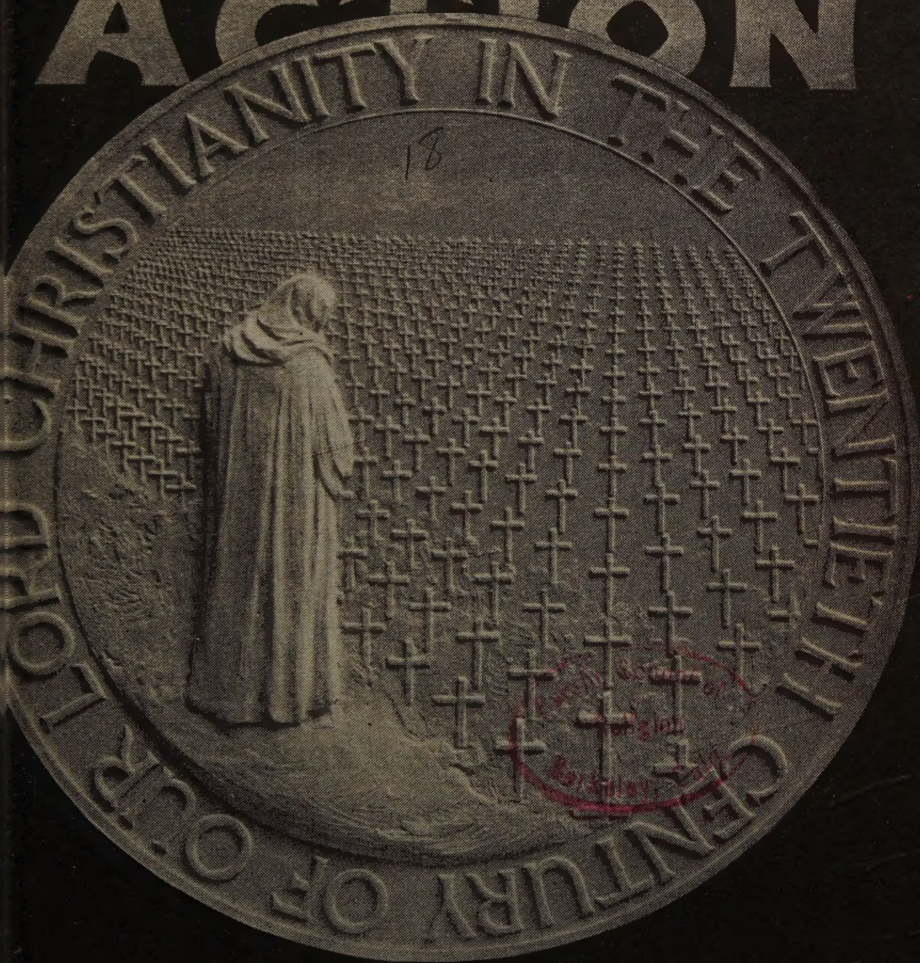


SOCIAL ACTION



AMERICA- WAR OR PEACE

BY ALFRED SCHMALZ

SOCIAL ACTION

Published by the Council for Social Action of the
Congregational and Christian Churches

289 Fourth Avenue

New York City

November 15, 1937

Editorial Committee: HUBERT HERRING
ALFRED SCHMALZ, MARGUERITTE BRO

CONTENTS

WHY WE WANT PEACE	3
WE THOUGHT WE HAD PEACE	4
WE PREPARE FOR PEACE—	
WITH A NATIONAL DEFENSE POLICY	5
Invasion	8
Limited Armaments	9
WE PREPARE FOR PEACE—	
THROUGH CONTROL OF THE MUNITIONS INDUSTRY	11
Embargo	13
Control of Exports of Scrap Iron	14
WE PREPARE FOR PEACE—	
THROUGH ECONOMIC COOPERATION	14
Trade and Markets	16
NEUTRALITY OR COLLECTIVE SECURITY?	23
Neutrality	23
Collective Security	27
CONCLUSION	29

For much of the material in the section "We Prepare for Peace—Through Economic Cooperation" the author is indebted to the Headline Book *Peaceful Change*.

The plaques on the two covers were designed by the late Lorado Taft and are used by permission of Ada B. Taft.

SOCIAL ACTION, Volume III, Number 18, November 15, 1937. Published twice a month, except July and August. Subscription \$1.00 per year; Canada, \$1.40 per year. One to 9 copies, 10c. each; 10 to 49 copies, 7c. each; 50 or more copies, 5c. each. Entered as second-class matter September 15, 1936, at the Post Office at New York, New York under the Act of March 3, 1879.

America: War or Peace

ALFRED SCHMALZ

The American desire for peace runs deep and strong. But if there is anything in the reading of history, America seems to be rapidly sweeping on toward war. Why? How do peace-loving people go to war? Are we powerless to see our own course and to chart its direction? Measuring our procedures against our aims, we can compute our reasonable chances for manifesting our will to peace.

Why We Want Peace

We know what war costs.

We recall that in the World War 41,000,000 men, women and children lost their lives through combat, starvation, disease. We remember the stupendous loss in wealth and property—\$400,000,000,000, which is a figure too large for practical comprehension. According to former President Coolidge, one-fourth this cost will have been borne by America before it is all paid. In these times of strained finances and economic insecurity it is useful to remember that figure: \$100,000,000,000. We also recall that the World War brought in its wake severe economic dislocation whose tragic story in the United States is told in terms of unemployment, relief, despair. The same war toppled governments in many countries, burdening the peoples with numerous dictatorships whose blunt but empty hand brings no salvation. In the realm of morals and spiritual values, the ravages of that war are evidenced by the ethical confusion which pervades our time and by the spiritual despondency into which we have sunk. In disillusion and doubt we still pay war's frustrating toll.

It is difficult to predict the cost of any future war to America. The number of lives to be lost, the amount of wealth to be destroyed, the individual catastrophe—these things can never be estimated. War today is peculiarly terrible because it is fought not by armies and navies but by whole nations and peoples. War is totalitarian. Consequently governments, anticipating new conflict, are taking measures to mobilize all man-power and all capital for the supreme effort to achieve victory.

The sweep of the next war can be seen in the Industrial Mobilization Plan prepared by the United States War Department. This plan calls for the universal conscription, immediately at the outbreak of the war, of all male civilians between the ages of 21 and 31. It proposes a drastic regimentation of industry and capital, with business and business executives under the control of the government. It calls for complete censorship, for the suspension of all social legislation which conflicts with the necessity to secure matériel for the armed forces, for the drafting of labor. The Industrial Mobilization Plan will mean a war-time dictatorship under the president, a dictatorship which need not be lifted until six months after the war emergency is over. For that kind of war we pay nothing less than our democracy. Democracy and war on a totalitarian scale cannot exist side by side.

One reason we want peace is that we cannot afford war.

We Thought We Had Peace

At Versailles in 1919 an exhausted world made peace. Having just fought a war to end wars, we thought we were making a permanent peace. That is, we who listened to the current conversation, who read the newspaper reports, who furnished the fighting men—we thought, vaguely, perhaps, but confidently that we had made peace. We also thought, that peace and justice were synonymous. We did not know that the peace

of Versailles was a victors' peace, an imposed and unjust peace. We were relieved and exultant simply to have peace.

It was only in the 1930's that we realized how precariously this peace was established. Suddenly we realized that the optimism of the early post-war years had shielded our eyes from the disintegration of the peace structure which we had built with such fine hope. The 1930's had barely got under way when Japan sent her army into Manchuria in imperial conquest. In 1935 Italy was in Ethiopia. The next year Germany sent her iron-heeled youth into the Rhineland in open and final violation of the Treaty of Versailles. The League of Nations, born of a deep desire for enduring peace, seemed unable to gird itself to resist new aggressions. In 1936, revolt against the legal government in Spain opened up another land to fascist intervention. Here the dictators are still battering at the loose foundation stones of world peace. In 1937, with Europe tense and fearful, Japan has again thrust her armies into China, making a final bid for Asiatic dominance. Brussels, seat of the Nine-Power Treaty conference, knows none of the buoyant hope of 1919. The skies are clouded with bombing planes.

We thought we had peace. But once again we are scanning far shores fearfully, aware that two great oceans are no longer sufficient to separate us from the concerns of Europe and Asia. In 1917, a war three thousand miles away drew us into its orbit and swept our youth into distant graves. We thought we had peace, but we know that if war again hurls the nations into the crucible of steel and blood, Americans will not remain unscathed.

We Prepare for Peace— with a National Defense Policy

We want no war. Therefore, we plan a second-to-none navy and support a billion dollar annual armaments budget. We propose to defend ourselves.

U.S. NAVAL POLICY

Naval policy is the system of principles, and the general terms of their application, governing the development, organization, maintenance, training, and operation of a navy. It is based on and is designed to support national policies and national interests. It comprehends the questions of number, size, type, and distribution of naval vessels and stations, the character and number of the personnel, and the character of peace and war operations.

FUNDAMENTAL NAVAL POLICY OF THE UNITED STATES

To maintain the Navy in sufficient strength to support the national policies and commerce, and to guard the Continental and overseas possessions of the United States

GENERAL NAVAL POLICY

- To create, maintain, and operate a navy second to none and in conformity with Treaty provisions.
- To develop the Navy to a maximum in battle strength and ability to control the sea in defense of the nation and its interests.
- To organize the Navy for operations in either or both oceans so that expansion only will be necessary in the event of war.
- To maintain the Marine Corps in strength sufficient to furnish detachments to vessels of the fleet, guards for shore stations, garrisons for outlying positions, and to provide expeditionary forces in immediate readiness.
- To make war efficiency the object of all development and training and to maintain that efficiency at all times.
- To protect American lives and property.
- To support American interests, especially the development of American foreign commerce and the merchant marine.
- To make foreign cruises to cultivate friendly international relations.
- To encourage and to lead in the development of the art and material of naval warfare.
- To maintain a definite system of progressive education and training for naval personnel.
- To determine emergency material needs, and to plan for procurement.
- To inspect systematically all naval activities and materials.
- To cooperate fully with other departments of the Government.
- To encourage civil industries and activities useful in war.

APPROVED May 10, 1933

Charles A. Hornum

Secretary of the Navy.

Ask the average American why he advocates an "adequate national defense," why he supports a policy of "preparedness," and he will reply that America must be able to defend herself against invasion. This is his chief justification for an army and navy. In the peace plebiscite of the Congregational-Christian churches in 1935, some 33 per cent of approximately 200,000 voters declared their support of a national defense policy limited solely to defense against invasion. Other polls of opinion substantiate the conclusion that the American people think of national armaments solely as an instrument for the protection of our land against invasion.

But for our government, defense of soil is only one of the ends for which our army and navy exist. United States Naval Policy, last approved by the Secretary of the Navy in 1933 and tacitly having the approval of Congress and the President, declares that the "fundamental naval policy of the United States" is "to maintain the Navy in sufficient strength *to support the national policies and commerce*, and to guard the Continental and overseas possessions of the United States." These are blunt and provocative words. Note the sequence in things to be defended: first, the nation's commerce (trade, profits), secondly, the nation's territory. To these ends, we spent \$571,000,000 in 1936-37, on naval armaments alone.

Similarly we must analyze army policy. This is found in the National Defense Act of 1920 and in the Industrial Mobilization Plan by which it is implemented. The United States army is not organized as a combat army, fully equipped for action. On the contrary, it is a skeleton army, over-balanced with officers, organized on the theory that when war comes, it can be expanded at once to huge proportions. The National Defense Act provides for "immediate mobilization" of the man-power and industrial resources of the nation to furnish a fighting force of three or four million men during the first year of a "major conflict." Universal conscription will make approximately 11,000,000 men available for military service

either in the army or the navy. According to the War Department's latest plans, four field armies will be organized during the first year of hostilities.

Invasion

Is the United States in danger of invasion?

The Philippines was the only important bit of territory that was exposed to threat of attack, but since we have voted Philippine independence by 1946, we should at that time abandon any further military responsibility on the islands. National defense certainly should now be limited to defense of the area bounded by Alaska, the Hawaiian Islands and the Panama Canal on the Pacific, and the waters from Newfoundland to Panama on the Atlantic. Military experts have repeatedly insisted that no combination of naval powers now likely to be formed could transport to our shores the soldiers and supplies needed for a successful invasion. Major General Smedley D. Butler declares that the most reckless military man would not contemplate invading America with less than a million soldiers. These soldiers would have to be transported in one great armada. They would have to be landed safely on our shores, with supplies, within a period of ten days and along a short stretch of about 100 miles. It would take five million tons of food, ammunition and supplies of all sorts to prepare them for living and fighting here for three months. There is, he insists, hardly enough shipping in the entire world, including the United States, to make this colossal feat possible. America is safe against invasion.

Why then do we maintain an army and a navy designed for service outside our national borders? Do we intend to fight another foreign war, as in 1917? Do we expect again to fight for trade and profits, for neutral rights? These are questions the American people must face.

Limited Armaments

Concerted efforts are being made to clarify our defense policy and to limit armaments to the level needed simply to defend our soil against invasion.

There is the Ludlow War Referendum. Proposed by Representative Louis Ludlow of Indiana, the amendment provides that "except in the event of an invasion of the United States or its territorial possessions and attack upon its citizens residing therein, the authority of Congress to declare war shall not become effective until confirmed by a majority of all votes cast thereon in a nationwide referendum." The amendment is not yet adequately worded. But its purpose is plain. If the American people concur in the judgment that they should have the right to say whether or not they wish to declare a particular war, they can express themselves by support of the proposed Ludlow Referendum.

A somewhat similar proposal has been made by the Senate Munitions Committee. The committee proposes that in 1938 or 1940 a national referendum be taken to let the people vote on whether they are willing to be drafted for military service outside of the American continent. This vote would not be binding on Congress—except morally. Another approach is made by Representative Gerald J. Boileau of Wisconsin. His bill calls for the creation of a Department of Military Defense, into which the present War and Navy Departments would be merged, and for the limitation of armaments to the level needed solely to repel invasion.

Just now we are pulling in many directions. The determination of exactly what we propose to defend would strengthen our peace policy. Are we defending our commerce, everywhere? Is it our trade routes, everywhere? Is it the whole American continent, in keeping with the Monroe Doctrine? Is it our neutral rights in time of war? Should we be prepared to support the military efforts of the world community

to protect democracy against fascism? Should we protect only our own soil? These are pertinent questions.

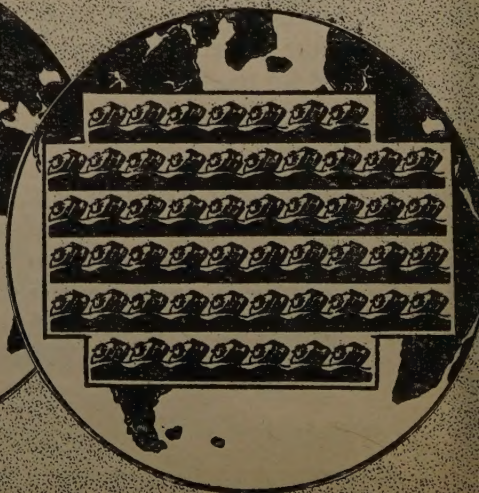
The limitation of "national defense" to defense of our soil would result in a reduction in our military and naval establishments and in a lessening of the burden of taxation. It would ease present tensions, particularly in the Pacific area where our naval establishment is threatening and provocative. It would encourage general world disarmament. It would support the churches and other organizations in their struggle to end the dominion of compulsory military training in our schools and colleges. The Reserve Officers Training Corps is established upon the military policy contained in the National Defense Act, with its skeleton army capable of great expansion in time of war. If we do not need so huge an army for purely

WORLD ARMAMENT BILL

Each Tank - \$200,000,000 For National Defense

1932

1936



defense purposes, we do not need all the officers which the R.O.T.C. units are now turning out. We can safely afford to insist that military training in civil educational units shall be elective, even if the units decrease in size on that account. The Nye-Kvale bill is designed to make military training elective by withholding federal funds from all R.O.T.C. units which are compulsory.

We Prepare for Peace—

through Control of the Munitions Industry

The indictment of the munitions industry is widely known through the revaluations of the Senate Munitions Committee. According to the reports of that Committee, munitions companies of the United States armed South American countries to fight those futile wars over the Chaco, Tacna-Arica, Leticia. Munitions companies of the United States initiated armaments races, bribed officials, fomented discord, and then coolly took the profits which went with the wars that developed. When on one occasion the United States government had refused to sell Peru some destroyers in an effort to discourage the outbreak of war between Peru and Chile, an American munitions concern producing submarines continued trying to sell its vessels to Peru, thus cancelling the government's policy. In Cuba, after the fall of the Machado government in 1933, an American company sold munitions to the new government as well as to the revolutionaries planning to overthrow that government, at a time when relations between Cuba and the United States were very delicate and the State Department was apparently uncertain as to whether or not to recognize the existing Cuban government. In the 1930's, when peace and disarmament were being loudly proclaimed by all the world, American firms were helping to re-arm Germany. Naval shipbuilders have acted to prevent real competition among themselves on government bids and have made peace-time profits on

cruisers and other war vessels which, in one instance, rose as high as 36.7 per cent. American shipbuilding companies through their astute "observer," William B. Shearer, were so successful in "protecting" their interests at the 1927 world naval conference in Geneva, that they were largely instrumental in wrecking the conference and preventing disarmament. When in 1925 genuine control of the international arms traffic was imminent, the armaments makers were effective in securing reservations to the draft convention on the part of the United States government which made the convention "harmless to American interests." At the conference between government officials and munitions makers the du Pont representative said: "With the reservation made by the United States Government and the presence at the conference of Admiral Long . . . Commander Leary . . . General Ruggles . . . and Major Strong . . . , all of whom are familiar with our point of view, it is believed that the interests of the du Pont Company and our customers will be properly looked after."

The American people do not like that way of conducting the armament business. They do not intend that they themselves or others shall suffer from the depredations of an uncontrolled armaments industry. They are generally agreed—with the munitions producers alone in opposition—that this industry needs to be subjected to drastic public and governmental control.

But so far the industry has managed, by and large, to escape control. One attempt to limit profits was made in the Vinson-Trammell Act of 1934, when profits on naval building were set at a maximum of 11.1 per cent of actual cost. Even this restriction, says Stephen Rauschenbush, counsel of the Senate Munitions Committee, can easily be evaded. More stringent control is therefore necessary. To this end, Senator Gerald P. Nye introduced a bill in the 1937 Congress to nationalize the munitions industry to the extent of providing for the govern-

ment manufacture of powder, projectiles, guns, armor plate, gun forgings and naval vessels. The bill has the support of the majority of his committee. Last August agreement was reached with the Senate Naval Affairs Committee, which had previously pigeon-holed the bill, to hold hearings on it early in 1938. Thus public opinion is afforded another direct line of expression.

Action along two other specific lines is also being suggested: a peace-time embargo on the export of munitions and control of the export of scrap metals.

Embargo

It is proposed, first, that Congress enact legislation to embargo the export of arms, ammunition and weapons of war not only in time of war—as provided for in the Neutrality Act—but also in time of peace. When the Neutrality Act was being debated, an amendment was introduced to prohibit the sale of arms to foreign nations *at any time*. This rider, although not enacted, received remarkable spontaneous support from 118 members of the House. Last March, Senator Nye and Representative Hamilton Fish, of New York, introduced a joint resolution making it unlawful “to export or attempt to export or cause to be exported arms, ammunition or implements of war from any place in the United States except to nations on the American continents engaged in war against a non-American state or states.”

The argument to support such legislation is clear. Since we propose not to arm belligerents, why should we arm governments contemplating war and preparing for it? Again, since we desire not to profit from other people's wars, why should we profit from their preparation for war? Latterly, the export trade in munitions has been on the increase. State Department figures show that munitions exports are double what they were in 1936, with exports for the first nine months of 1937 totalling \$49,912,624.15. The total 1936 exports were \$26,568,722.30.

CONTROL OF EXPORTS OF SCRAP IRON

A second proposal relates specifically to the export of scrap iron. Scrap iron is one raw material of munitions. Its export is at the present time uncontrolled. Industrial nations do not need our finished munitions products—they have their own arsenals—but they do find our scrap iron most important in their re-armament programs. We are shipping them this basic material in increasing quantities. In 1931, we shipped only 136,000 tons of scrap abroad. In the first six months of 1936, we shipped 1,071,476 tons, chiefly to Japan, which is our largest customer, and to Great Britain and Italy. In the first six months of 1937 we sent 2,172,660 tons abroad. The scrap iron business has become highly profitable. Prices until just recently have soared. Other domestic businesses such as shipping have benefited from the boom. Likewise, America is helping to arm the world for the next general war. Through our scrap iron business, America is even now helping Japan to strangle China. In the next session of Congress bills will be introduced to control the export of scrap iron.

We Prepare for Peace— through Economic Cooperation

It is probably more than a coincidence that the industrial nations poorest in raw materials and most discriminated against in the world market are also the nations which have turned fascist and are now threatening the status quo by force of arms. Aggression stems more or less directly from the desire for prestige and power, from the urge to imperial greatness. But the urge to imperial greatness has some of its deepest roots buried in a matrix of economic problems.

It is not difficult to lay bare the processes which lead back from a state of war, or the threat to war, to economic inequalities which no amount of diplomatic phrasing in treaties and agreements can really cover. Right now, certain nations are

•

demanding change. Rightly or wrongly, they feel hampered by the way in which raw materials and markets are now controlled, and insist that the welfare of their peoples demands expansion. Behind their demands stand gleaming bayonets and hard steel. They threaten war. They make war. Their aggression, with its consequent violation of the international treaty structure and its subjection of weaker nations, cannot be permitted to go unregarded. It must be halted. Yet if there *are* inequities and injustices in the world economic situation—conditions creating the tensions out of which war arises—then surely it is the way of wisdom to effect such changes as will not only help to create justice but will relieve the underlying tensions. To be sure, there is no guarantee that economic concessions will end war. War has other causes besides economic



SELLER: U.S.A.

SCRAP
IRON



BUYER: JAPAN

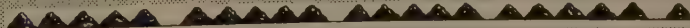
931



933



935



937

(estimate)



▲ 50,000 tons

strain. And it may even be that economic appeasement sincerely offered would result simply in greater demands by the dictators. No one knows, because economic justice has not yet been tried.

Trade and Markets

The root of the world's economic problem is in the field of trade and markets. If a nation can buy raw materials—no matter who owns them—at fair prices and if it can sell its own manufactured goods in the world market without unfair discrimination, it has no just cause of complaint against other powers. However, if the reverse is true, then that nation has a justifiable grievance. If the grievance persists, the peoples of that nation are likely to accept first armaments and later war, if a dictator will promise them economic salvation down the road of militarism.

The nature of international trade is a clue to the solution of the economic problem. Buying and selling demands a medium of exchange—dollars, pounds, francs, marks. For example, when an American merchant sells an article to a German customer, the American must be paid not in marks but in dollars. The German importer must therefore go to his home bank and, using marks, buy foreign exchange, in this case dollars. Theoretically he ought to find no difficulty in doing this. But in point of fact he will find that he can buy dollars in the world money market and through his home bank only if Americans and other foreigners are at the same time buying marks. Naturally they will be buying marks only if they in turn have imported goods from Germany for which they must settle. This means that there must be a kind of rough "balance of trade," the goods and services exported from Germany balancing the goods and services imported into Germany. Gold is used to help balance accounts between countries. But there is not enough gold available in debtor countries to per-

mit them to settle for any considerable portion of their imports in this medium. At all times there must thus be a fairly consistent balance between imports and exports, or else the machinery of world trade gets jammed.

But what if Germany is prevented, through trade restrictions in the world market, from exporting goods and services? Then, she cannot import goods and services for very long. It follows that American merchants and workers must cease selling to Germany. They lose a profitable market. German merchants and workers, in turn, lose their American market. The result is economic dislocation all around, with consequent hardship for all. The only way to restore the flow of goods and services is to abolish the restrictions which have halted their movement across national boundaries. These restrictions are largely tariffs and embargoes.

Certain nations, for instance, have raised the cost of products to outsiders by placing **embargoes on exports** or by limiting the amount of an article that could be shipped abroad. Canada and Newfoundland by placing increasing embargoes on the exportation of pulp wood have made the greater part of this raw material inaccessible to paper mills in our country. The British have established a monopoly on the smelting of all tin mined in the Empire by placing prohibitive export duties on tin purchased by other countries from British possessions, which control nearly half of the world production of tin.

Again, where nations have had a monopoly in production, they have sometimes **limited the production of goods** in order to benefit from abnormally high prices. Between 1922-28 Great Britain was able to lift the price of rubber from 15 cents to more than a dollar a pound by limiting rubber export from British colonies, which produce 64.5 per cent of the total world supply.

Further, **international monopolies**, sometimes called *cartels*, formed by the uniting of private concerns from different coun-

tries may so raise the price of certain products by agreement that their cost becomes prohibitive. Thus, the International Tin Committee succeeded in almost doubling the price of tin within a period of three years. Copper Exporters, Inc., in 1929 succeeded in raising the price of copper from 14.4 to 24.38 cents a pound. Prices artificially maintained at a high figure obviously obstruct free access to certain raw materials at a fair price.

Other restrictions also exist, the most important of which are **tariffs**. Tariffs serve to raise the price of foreign goods so that imported goods cannot compete with goods produced in the domestic market. In 1932 the members of the British Empire through the Ottawa agreements established a system of trade preferences favoring each other and discriminating against outside countries. This discrimination is of serious concern to the whole world for the British Empire in 1934 accounted for 29.1 per cent of total world trade. The French Empire, with its 10 per cent of world trade, has an even more extensive preferential system. The United States requires its possessions to admit American products duty-free. Such restrictions are disruptive to international trade.

There are also **quotas** and **foreign exchange controls**. Under a quota system a nation limits the amount of a given foreign-produced commodity which is allowed to enter the country. Under a scheme of foreign exchange controls, individual importers are assigned amounts of foreign exchange, thus controlling the purchases which could be made abroad and reducing imports to a minimum. Germany is at the present time operating under a rigid control system.

All of these restrictions hamper the flow of goods across national boundaries. They are devices resorted to in an effort to create national self-sufficiency. Unless this trend is halted, war becomes inevitable.

To reverse the trend and replace economic nationalism with

economic cooperation, the following possible steps are being suggested. These steps are probably inescapable if we would correct some of the injustices and inequities which now exist and which are the seed of modern war.

First, **access to raw materials on equal terms to all nations.** This proposal does not involve transfer of colonies or re-division of territory. But it does envisage a loosening up of the controls which certain nations now have on raw materials, as well as adjustments in tariffs and other trade restrictions. Two obstacles now stand in the way of equal access to raw materials: export duties restricting the supply available to outsider countries and the limited purchasing power of countries needing the raw materials. In the matter of export duties, a beginning can be made through an international agreement providing that such duties should in no case discriminate between consumers of different nations. Consumers can also be helped through some international supervision of cartels and monopolies, in the interest of fair prices. These two proposals if acted upon, would help make raw materials available, but they do not meet the problem of a nation's purchasing power. A nation cannot buy goods unless it can sell its own goods in the world market. This means that there must be a lowering of tariff walls against imports and the removal of preferential trade agreements with favored nations (to be discussed under item four).

Second, **the open door in colonies.** Under this arrangement the goods of all countries would be admitted into colonial areas on a footing of complete equality. At the present time a number of colonial powers do not apply the open door. The United States, for example, requires all her possessions to admit American products completely free of duty. Italy maintains preferential tariff rates in most of her colonies. In the British Empire there is a system of imperial preference. The adoption of the open door as a policy to be applied to all

colonies would go far towards establishing real equality of trade conditions.

Third, **extension of the mandates principle.** Under Article 22 of the Covenant, the League of Nations was made responsible for the well-being and development of the peoples inhabiting the German overseas possessions—mostly in Africa—and the former lands of the Ottoman Empire in the Arabian Peninsula. Certain nations were delegated by the League as "mandatory powers" and thus entrusted with tutelage over these colonial areas. On the whole the mandates principle has operated successfully. It is now proposed that all other territories which, in the judgment of the League, are not yet ready for self-government—territories now under the control of particular nations—be placed under the League's mandate system. Such extension of the mandates principle would enlarge the area of free trade and would remove some of the most obvious inequalities which exist today between imperialist nations.

Fourth, **the reduction of tariffs.** All of the foregoing changes are not so important as this fundamental consideration for the heart of the world's economic problem is to free the flow of world trade. To the uninitiated—and indeed to many economists—it would seem as if the common sense procedure would be to remove tariffs and let trade adjust itself through the natural process of need answering need, buyer and seller eventually balancing one another. This is, of course, the laissez-faire procedure under which international trade sprang into being. But each nation's economic life is no longer subject to the free play of the laissez-faire theory. There is no unrestrained competition. We have moved a long way from the day when a man was free to earn his daily bread merely because he was starving. Governments now regulate many of the conditions under which men labor, the wages they shall be paid. Governments regulate, at least to a degree, conditions of housing, health, public works. Thus indirectly they regulate trade. When the

tributaries are blocked or regulated, the main stream can not be free. Neither nature nor fiat can make it so. Therefore, adjustments in trade have to be made within the present framework of more or less planned national economy. Give and take, balancing of mutual advantages, become the necessary next steps in trade adjustments.

In the matter of trade adjustment, the United States is taking leadership. Our Trade Agreements program has moved away from the economic nationalism of the earlier post-war days, crowned by the Hawley-Smoot Tariff Bill, of 1930 with its almost insurmountable barriers. Sixteen trade agreements have now been concluded. By these agreements, there has been a substantial lowering of the trade walls between us and sixteen nations. Brazil, for example, sells us coffee without duty, while she admits our automobiles and many other manufactured goods on more favorable terms than formerly prevailed. Trade agreements are still to be concluded with Great Britain, Czechoslovakia, Italy, Germany, Japan, China, Argentina and other nations. Among these are the "have not" powers whose demands for economic relief postpone peace and security.

Fifth, currency stabilization. Relatively fixed rates at which foreign currencies may be exchanged must be achieved. In 1933 the United States contributed to the failure of the London Economic Conference by refusing to discuss the establishing of our dollar at some fixed relation to the pound, the franc and the mark. However, in 1936 we concluded the tri-partite accord by which the United States and Great Britain agreed to a necessary adjustment in the value of the French franc. The financial authorities of all three countries also agreed to co-operate in keeping exchange rates relatively even. Further action along this line may be necessary.

Sixth, international cooperation to raise the standards of labor and living throughout the world. Certain universal standards for labor must be worked out, so that the needed re-

duction of tariff barriers will not simply open the way for unfair competition on the part of low-standard countries. This adjustment of labor standards is being accomplished through the International Labor Office, of which the United States has been a member since 1935. Under the auspices of the I.L.O. a Textile Conference was held in Washington early this year. It is one of the best illustrations of the possibility of economic planning. A permanent committee representing government, employers and workers from the twenty-two textile-producing countries has been set up at Geneva to make recommendations for fairer competition, equalization of the cost of production and the raising of labor standards. Recently the I.L.O. accepted in principle the forty-hour week, to be applied to all basic industries in all lands. The United States led in supporting this proposal.

Seventh, **disarmament**. At present fear stands in the way of economic change, a fear intensified by every new battleship keel laid down and every bomber sent aloft. Real disarmament can help end that fear. It can also release for legitimate trade millions of dollars now being spent in preparation for war. In 1936, \$10,800,000,000 was spent on world armaments. In 1937 the sum is larger. When funds desperately needed for economic rehabilitation are constantly diverted to war preparation, there is disastrous drain upon the economic well-being of all peoples.

World economic cooperation is essential if peace is to be won. Recognizing this, the National Peace Conference, in which are federated forty national peace agencies, including the Council for Social Action of the Congregational and Christian churches, has launched a fifteen months campaign to deal, in education and in action, with the basic economic questions here discussed. The basic handbook of the campaign is the Foreign Policy Association's Headline Book *Peaceful Change—The Alternative to War*.

Neutrality or Collective Security?

Peaceful economic change is the foundation of all peace-making. But the immediate situation must be faced. There is war in Spain and in China. The possibility is large that war cannot be localized to these two areas and that it may spread into world conflict. What shall be the United States foreign policy? Shall we advocate a policy in conformity with the Neutrality Act or shall we support a policy of collective security?

There is divided counsel in the peace movement. Supporters of the Neutrality Act contend that the United States must at all cost be kept out of war and that a policy of insulation against war, through neutrality, is the best means to accomplish this end. We must, they say, try to maintain a zone of sanity no matter what happens in Europe or in Asia. Proponents of collective security on the other hand advocate joint action of the world community to obstruct the aggressive acts of warring powers. Quiet as eager as the first group to keep the United States out of war, they contend that keeping one country out of war can be accomplished only through keeping war out of the world. They seen in a policy of economic sanctions the best means to accomplish this result.

It is not possible to reconcile these two conflicting philosophies of dealing with the problem of war; the most we can do is to state the opposing arguments.

Neutrality

The impetus of neutrality legislation was the growing suspicion that the United States had entered the World War in order to avert panic and to protect our war-time prosperity. There are, of course, other reasons for our entrance into the war: our faulty handling of diplomatic relations, Germany's ruthless submarine warfare and her violations of our neutral rights on the high seas, British propaganda, and the desire to

protect democracy against German autocracy. But many Americans are convinced, rightly or wrongly, that the force which finally involved us in the war was our economic stake in victory for the Allies.

In the period 1914-17 our war trade with the Allies increased from \$1,500,000,000 to \$4,000,000,000, while trade with Germany shrank to nothing. Furthermore, by 1917 we had loaned the Allies more than two billion dollars. Thus, we had an economic stake which had to be protected. War became inevitable when American bankers could no longer carry the burden of financing this war trade with the Allies. Then America was faced with two choices: We could accept inevitable panic with the collapse of the credit structure, or we could prevent the panic by extending our national credit to the Allies. The latter choice meant war. This was no real choice; the government could follow only one course. The path pursued by our business interests—a path which had the general support of Americans—had led us directly and inevitably into war. In March 1917 Walter Hines Page, our Ambassador to Great Britain, sent a confidential message to President Wilson, in which he put the issue bluntly: *"Perhaps our going to war is the only way in which our present preeminent trade position can be maintained and a panic averted."* The submarine has added the last item to the danger of uncertainty about our being drawn into the war, *no more considerable credit can be privately placed in the United States and a collapse may come in the meantime."* To avert that collapse we entered the war.

The uncovering of such ugly facts has led in the past few years to a determined effort on the part of many people to erect walls, through governmental policy and legislation, to protect the United States against similar economic involvement in the future. They argue in this fashion: The United States entered the World War largely because we followed a policy of trading with one set of belligerents; we built up a war trade that was dependent on the victory of those belligerents; finally

we sent soldiers across the waters to secure the payment of our debts and to maintain our prosperity. They insist that we must take measures to prevent that pattern of war-making from developing again. A scheme of embargoes against the export of war materials to belligerents is, they believe, one practical step toward achieving that end.

The Neutrality Act of 1937 is the result of their efforts. Supporters of this legislation do not consider the bill adequate and would amend it at many points. But they believe it to be a move in the direction of "keeping the United States out of war," which is their goal as well as their slogan. The Act provides that when the President finds that a "state of war" exists between two or more foreign states, he shall issue a proclamation to this effect. Thereupon, the following acts are *automatically* prohibited:

(1) Export of "arms, ammunition and implements of war" to "belligerents"; (2) purchase or sale of securities or other obligations of belligerents; (3) solicitation of war contributions; (4) transport of implements of war in American vessels to belligerents; (5) travel by Americans on belligerent vessels; (6) arming of American merchantmen. In addition, the President has authority, *at his discretion*, to restrict certain other activities if he believes such restrictions "necessary to promote the security or preserve the peace of the United States or to protect the lives of citizens of the United States." The Act thus further prohibits, at the President's discretion: (1) Transport of any article or commodity on an American vessel to a belligerent state; (2) Export of any goods to a belligerent until after "all right, title, and interest" has been transferred to a foreign government or representative; (3) Use of American ports as a basis of supply for belligerent warships; (4) Use of such ports by foreign submarines and armed merchant ships except in accordance with regulations.

It will be seen that the Act endeavors to protect the United

States against different sorts of possible involvement in foreign wars: through a bloated war trade, through loans and credits to belligerents, through loss of American lives and property. Supporters of this legislation believe that at this juncture of world affairs our foreign policy should be directed specifically to keeping the United States out of war. They see in the use of sanctions against aggressor nations danger of involvement in war. Although they can have no absolute assurance that neutrality legislation can keep us out of war, they point to our experience in 1914-18 and insist that no other policy can give us more hope of keeping peace.

Opposed to the neutrality position are those who insist that neutrality legislation holds no real hope for peace, either for the United States or for the world, because it is essentially isolationist and self-regarding, and obstructs the building of a world community. This group of persons hold to the policy of collective security.

Collective Security

The supporters of collective security are convinced that essentially the League of Nations holds the promise of peace. They do not regard the League as a perfect institution, and admit that its existence has not yet brought us peace. But they believe that the enforcement of peace through the principle of sanctions, as embodied in the Covenant, must become a universally accepted principle if peace is to be achieved.

Article 11 of the Covenant reads: "Any war or threat of war, whether immediately affecting any of the members of the League or not, is hereby declared a matter of concern to the whole League, and the League shall take any action that may be deemed wise and effectual to safeguard the peace of the nations."

Article 16 reads: "Should any member of the League resort to war in disregard of its covenants under Articles 12, 13, or 15, it shall ipso facto be deemed to have committed an act of war against all other members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial

relations, the prohibition of all intercourse between their nationals and the nationals of the covenant-breaking State, and the prevention of all financial, commercial or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State, whether a member of the League or not." Proponents of collective security favor a policy of sanctions, through the League if possible, outside the League if necessary."

The contention of this group is that since peace is a concern of the world community, every nation has a responsibility to participate in collective efforts to ensure its establishment. They assert that the United States as one of the great powers, has a particular responsibility and should not attempt, ostrich-like, to hide from wars which, if they are not soon ended, will inevitably engulf not only our nation but the very ideals for which we stand—democracy, justice, freedom. Wars can be prevented, they insist, if the nations will band together to resist an aggressor. The most practical form of resistance they find in the field of economic and financial relations. No nation today can be self-sufficient. To fight a successful war, nations must rely on imports of raw materials. If such imports are cut off by a policy of economic and financial sanctions, wars must necessarily cease. Our task, therefore, they declare, is to align ourselves with the world community in its efforts to enforce peace through the coercion of the war-makers. Collective action alone, they feel, can end the threat of war and usher in the day of peace.

The supporters of this position point to the present aggression of Germany, Italy and Japan, and ask what other policy can halt the mad push of the dictators towards war. They see in the aggressive foreign policies of the fascist powers not simply a threat to particular nations too weak to defend themselves, but a threat to world civilization itself. From that threat the United States, they believe, can protect itself only if it joins with other democracies to erect dams against the swollen militarism of these aggressive powers. We have a na-

tional stake in the preservation of world democracy. Therefore to let down the democracies by refusing to give them moral or economic support in their endeavor to "quarantine" war is to expose ourselves ultimately to a death-struggle with fascism. This point of view is well expressed by Raymond Leslie Buell, President of the Foreign Policy Association:

"The application of this (Neutrality) Act (in the Far East)—far from keeping the United States out of war—would ultimately endanger our security. Should Japan succeed in its present campaign in China, its next objective may be the Philippines. Should the success of Japan in the Orient be paralleled by the success of Italy and Germany in other parts of the world, it is not at all fantastic to believe that ultimately these three dictatorships would converge upon Latin America. Lacking raw materials, the three great dictatorships today cannot successfully fight a great power. But if they succeed in annexing neighboring territory containing such materials, the task confronting the United States of defending the western hemisphere will become infinitely more onerous than if we today adopted a positive policy of cooperation to avert war."

Thus, proponents of collective security not only see in the Neutrality Act an evasion of our world responsibility and a denial of the ethical demands of a world community, but they fear that its invocation in the present crisis, or in any other war crises, would ultimately endanger our own national security. Aggressor nations, they believe, can be starved into abandoning war if the nations which desire peace will stand together to enforce sanctions. They would have the United States stand with those peace-making nations.

The debate runs on. Meanwhile the President by not invoking the Act in the present Sino-Japanese conflict has turned away from the path laid down by Congress in its long struggle over neutrality legislation and has taken a position more consonant with the principles of the League of Nations. It is not certain exactly what the President proposes in the way of collective action. In any event, we shall probably not see the

Neutrality Act invoked in the present crisis, certainly not so long as the war in the Far East remains "undeclared," and therefore the wisdom of the Neutrality Act will not be tested by actual experience. But we are not likely either to see co-operation by the United States in a policy of sanctions against Japan and can not, therefore, determine whether wholehearted collective security holds the promise of arresting war. It is difficult to predict what measure of collective action may result from the Brussels conference. Yet the present policy of the United States—unless it should be checked by Congress at the next session—is moving definitely toward collective security and sanctions against an aggressor.

The arguments on both sides of the controversy are reasonable and valid. But ultimately wisdom cannot be found on both sides.

Conclusion

Peace is a struggle. A struggle against the war makers. A struggle against those who are willing to risk national security for private gain. These larger issues are clear-cut. But our personal relationship to these larger issues is not so clear-cut. Unless we keep ourselves exceedingly alert of mind and sensitive of spirit, we may not even know when our investments, our business dealings, our votes speak a different language from our voiced protestations for peace.

If America is to have sufficient wisdom for peace, then individual citizens need to set themselves to the task of becoming informed on the causes of war. We know now that peace is not born of kindly sentiment, that the desire for peace will not in itself create peace. Peace demands policies which, in turn, demand much earnest thought on the controversial issues therein involved. We have to ally ourselves with such programs as are now being undertaken by the National Peace Conference. We have to encourage open-forum discussions

on the problems of peace in our churches, in our community houses, wherever there is opportunity to weigh values and to plan procedures.

If America is to have a corporate will to peace, then individual citizens need also to dedicate themselves to the task of making their convictions manifest through governmental representatives in Washington, through the press, through public assembly. Peace demands action.

The fact that peace makers are not altogether agreed on the relative advantages of such national policies as complete neutrality or collective security need not keep them from being peace *makers* on matters of armaments, munitions control, and economic cooperation among nations. Even though it is true that the world was never so heavily armed as today, that never before were the resources of great nations so carefully maneuvered for the support of war—it is also true that never in the world's history has there been such an aggregate of peace machinery, such a rising of individuals of many nations, many races, who affirm themselves to be *peace makers*.

The Economic Plebiscite Primer

A syllabus for the study of six major questions which will be considered in the economic plebiscite:

- I. Unemployment and Relief
- II. Agricultural Price Levels
- III. Labor Organization
- IV. Public Utilities
- V. Tariffs and Other Trade Barriers
- VI. Consumers Cooperatives

The primer will be ready for distribution early in December. Single copies, 25 cents. In quantities of 25 or more to the same address, 8 cents each.

ADDITIONAL READING

Books

Backgrounds of War, by the editors of *Fortune*. Knopf, 1937. 313 pages, \$2.50

The war danger spots of Europe thoroughly explored.

Must We Fight in Asia? by Nathaniel Peffer. Harpers, 1935. 244 pages, \$2.50

Is America Afraid? by Livingstone Hartley. Prentice-Hall, 1937. 462 pages, \$2.50

A plea for a new foreign policy in which the United States will join in collective action to protect the democracies from the aggression of the fascist powers.

We Can Defend America, by Major General Johnson Hagood. Doubleday, 1937. 321 pp., \$2.50

"National defense" should be limited to defense.

Revolt Against War, by H. C. Engelbrecht. Dodd, Mead, 1937. 367 pages, \$2.50

Review of all the factors making for war with suggestions for organizing the revolt against war.

Pamphlets

Headline Books, by the Foreign Policy Association. 25c.

Peaceful Change: The Alternative to War

(National Peace Conference Edition, 10c.)

Billions for Defense

Clash in the Pacific

America Contradicts Herself

Made in the U.S.A.

War Drums and Peace Plans

War Tomorrow

Economics and Peace, by the National Peace Conference. 35c.

A program prepared by thirty-four economists.

America Must Act, by F. B. Sayre. 35c.

What we must do to assure jobs, wages, markets, peace.

Study Packets

World Peace

Contains *War Madness*, by Stephen and Joan Raushenbush, and 10 other items. Complete with study outline and worship service.

Militarism in Education

Deals with military training in schools and colleges.

25 cents plus postage (10c. east and 15c. west of the Mississippi)

